



INDIANA COMMISSION for HIGHER EDUCATION

State Financial Aid Context

In response to the state legislative mandate, P.L. 182-2009(ss), the Indiana Commission for Higher Education (CHE) with the assistance of the State Student Assistance Commission (SSACI) conducted a study of the state college scholarship programs. Assessment of the findings produced a balanced set of considerations for the CHE members to examine before making final recommendations for the legislature in advance of the upcoming state budget process. The considerations were guided by three factors: (1) fiscal realities, (2) financial sustainability, and (3) increasing student need.

Any state aid issue cannot be dealt with individually, but rather must be understood as a part of a complex and interdependent function of state government. Considerations for reform must be viewed together in the proper national and state context.

Indiana is one of the most generous states in the nation in terms of providing financial aid for college.¹

In FY09, Indiana ranked:

- 5th in need-based grant aid per undergraduate full-time equivalent enrollment
- 8th in total dollars awarded in need-based grant aid (\$233.087 million)
- 9th in total state grant expenditures as a percentage of state fiscal support for higher education operating expenses (15.5%)
- 12th in percentage of need-based grants going to private institutions²
- 13th in total grant aid, not just need-based aid (\$262.733 million)

Over the past ten years the legislature has made a concerted effort to keep state appropriations for financial aid for college on pace with increased student demand.

From 2000-2009:

- SSACI's total award budget increased almost 150% (\$102,030,572 to \$252,899,773)
- Average Frank O'Bannon award increased 59% (\$2,400 to \$3,823)
- The number of students receiving awards increased 84% (42,510 to 78,320)

Recently, however, the steady increase in student demand for financial aid for college is significantly outpacing currently available state funds, resulting in the reduction in the average grant amount to Frank O'Bannon (FOB) recipients.

- FOB recipients are students that demonstrate financial need evidenced through the Free Application for Federal Student Aid (FAFSA) model which incorporates the use of tax returns audited by the Internal Revenue Service (IRS). FOB monies are used exclusively to pay for tuition at Indiana public, private and proprietary colleges and universities.
- The average FOB grant amount has been declining for three straight years. In FY08, the average award amount was \$3,823 but declined to \$3,105 by FY10. Under the assumption that state

¹Rankings are according to the 2008-2009 Annual Survey Report on State-Sponsored Student Financial Aid by the National Association of State Student Grant Aid Programs (NASSGAP). Rankings include all fifty states as well as Washington, DC and Puerto Rico.

² Among Indiana's peer high-giving states, three have a greater percentage of need-based grant dollars going to private institutions than Indiana (37.3%): Illinois (39.6%), New York (41.6%), and Pennsylvania (37.9%). Only four states have more than half of their need-based grant dollars going to private institutions: Iowa (80.6%), Michigan (67.8%), Missouri (52.1%), and South Carolina (66.7%).

allocation of funds for financial aid will adjust in accordance with inflation only, SSACI predicts that maintaining the current model of state disbursement of financial aid will likely cause a continued decline in the average award amount of aid to FOB recipients each subsequent year through FY17 when the average amount will be \$2,312.

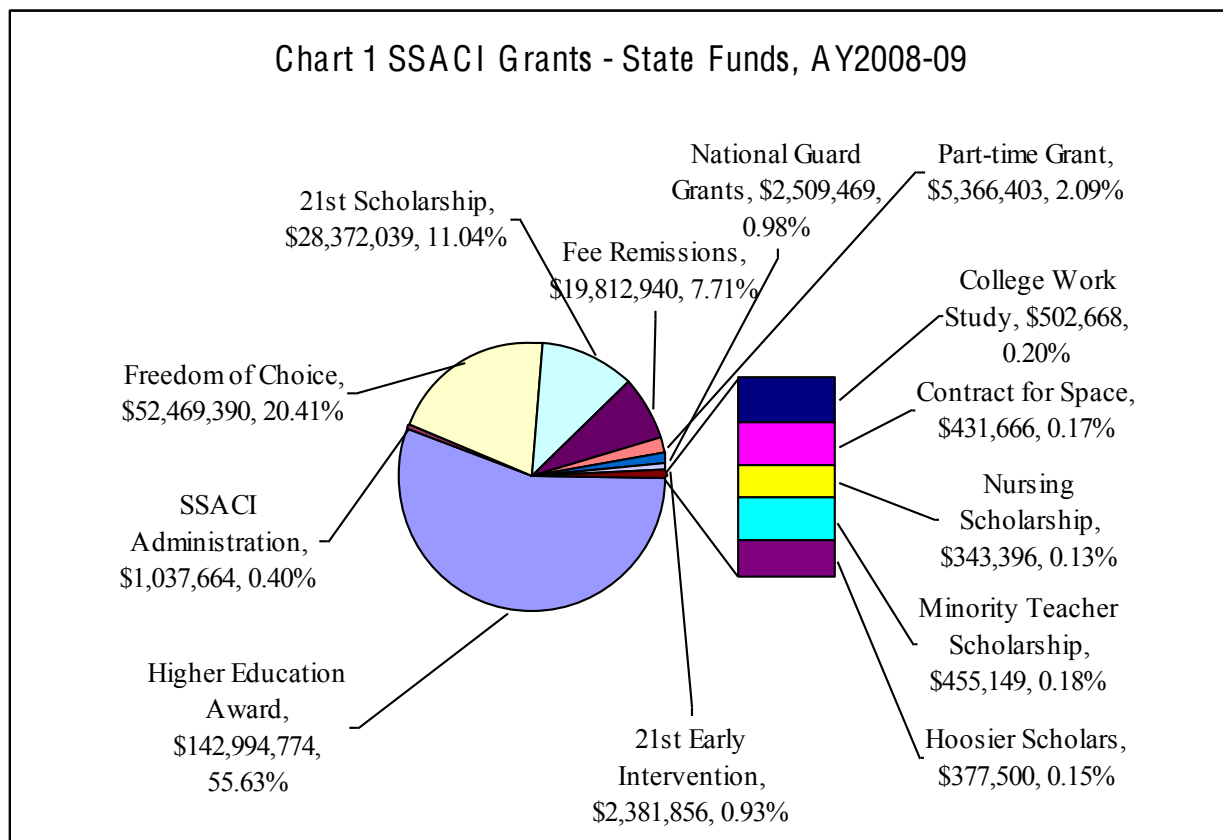
- The reduction in average state aid to FOB recipients coupled with expected inflation will make college less affordable for most of Indiana's lowest income population which will likely reduce the number of low income Hoosier students who earn degrees beyond secondary school. This possibility is antithetical to the current educational and economic goals of Indiana.

Any consideration of reallocating funds within the state aid system must examine opportunity costs associated with state priorities, including:

- Target demographics (income, minority, first-generation, non-traditional, degree type)
- Desired award sizes vs. number of students receiving awards (more students receiving smaller awards, or fewer students receiving larger awards)
- Certainty vs. uncertainty (in award amounts and timing from year to year for planning)

Additionally:

- In the past two years, adult students have gone from accounting for 1/3 of all students to over half of all students while traditional students have gone from accounting for 2/3 of all students to just under half of all students in Indiana.
- FY09 distribution of financial aid:



The Goals of the Considerations

State aid is complex, therefore changes must be considered in light of the entire system. The considerations suggested in this draft work in concert to address several current and forthcoming challenges to the state aid system based on the following tenets:

- A continued priority for need-based rather than merit-based state aid

Consideration	Description
3	Consistent public and private needs test
4	Merging Freedom of Choice fund with Higher Education Award fund
7	Do not consider Pell grants in traditional student aid calculation
9	Institutions should offer wraparound aid that works with other aid sources
11	Additional state funds should target middle-income students
12	All state aid should be based on need
17	Confirming eligibility for Twenty-first Century Scholarships

- When necessary, a priority on the neediest of those qualifying for need-based aid (or in other words, low-income students over middle-income students)

Consideration	Description
3	Consistent public and private needs test
7	Do not consider Pell grants in traditional student aid calculation
9	Institutions should offer wraparound aid that works with other aid sources
17	Confirming eligibility for Twenty-first Century Scholarships

- A continued student-centered, rather than institution-centered, approach

Consideration	Description
1	Realigning aid to meet needs of adult and non-traditional students
2	Develop customized statewide college costs estimator
3	Consistent public and private needs test
4	Merging Freedom of Choice fund with Higher Education Award fund
8	The state should not incorporate institutional aid into award offers
21	Prisoner education should be funded through the Department of Corrections

- Maintaining, or in some cases rebuilding, the integrity of the award system

Consideration	Description
1A	Consider Pell aid for adult and non-traditional student award calculations
3	Consistent public and private needs test
4	Merging Freedom of Choice fund with Higher Education Award fund
5	Invest in data collection
6	State aid should be tied to Satisfactory Academic Progress
7	Do not consider Pell grants in traditional student aid calculation
14	Mandatory participation in Twenty-first Century Scholars early intervention
15	Minimum Twenty-first Century Scholars GPA of 2.0 or Core 40 diploma
16	Better enforcement of Twenty-first Century Scholars eligibility
17	Confirming eligibility for Twenty-first Century Scholarships
18	Maximum Twenty-first Century Scholarship award cap
19	Non-fungible Twenty-first Century Scholars and Frank O'Bannon funds
20	One fiscal and administrative entity for CVO

- An emphasis on access to college

Consideration	Description
2	Develop customized statewide college costs estimator
3	Consistent public and private needs test
7	Do not consider Pell grants in traditional student aid calculation
9	Institutions should offer wraparound aid that works with other aid sources
11	Additional funds should target middle-income students
12	All state aid should be based on need
13	Refocus Twenty-first Century Scholars on early intervention
14	Mandatory participation in Twenty-first Century Scholars early intervention

- Aligning state aid to state goals by encouraging completion

Consideration	Description
1D	SSACI aid for summer school
1E	Increased Frank O'Bannon rate for completed Associate degrees
5	Invest in data collection
6	State aid should be tied to Satisfactory Academic Progress
15	Minimum Twenty-first Century Scholars GPA of 2.0 or Core 40 diploma

- Improving the distribution of aid to the new majority of students (i.e. non-traditional adult students)

Consideration	Description
1A	Consider Pell aid for adult and non-traditional student award calculations
1B/C	Separate adult and non-traditional student fund
5	Invest in data collection

- Simplifying state aid operations

Consideration	Description
2	Develop customized state-wide college costs estimator
3	Consistent public and private needs test
4	Merging Freedom of Choice fund with Higher Education Award fund
20	One fiscal and administrative entity for CVO
21	Prisoner education should be funded through the Department of Corrections

- Maintaining **or improving** SSACI's independence to maintain and improve the flexibility and responsiveness of state aid

Consideration	Description
4	Merging Freedom of Choice fund with Higher Education Award fund
7	Do not consider Pell grants in traditional student aid calculation
8	The state should not incorporate institutional aid into award offers
10	State aid should not consider tax credits
20	One fiscal and administrative entity for CVO
21	Prisoner education should be funded through the Department of Corrections